



***United States Attorney
Southern District of New York***

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**U.S. INDICTS FORMER SENIOR BANKER
ON CHARGES OF LOAN FRAUD CONSPIRACY**

MICHAEL J. GARCIA, the United States Attorney for the Southern District of New York, announced the unsealing of an Indictment yesterday of DAVID CLAPMAN, a former senior banker at the now-defunct Connecticut Bank of Commerce ("CBC"), on charges of conspiracy to make false statements in connection with bank loans, and the making and aiding and abetting of such statements, in connection with CBC loans extended to Culpeper Consulting Group, Inc. ("Culpeper"), also now defunct. At the time that CBC entered FDIC receivership in 2002, Culpeper owed the bank more than \$7 million.

Culpeper, which was headquartered on Wall Street in New York, provided consulting and business integration services to financial institutions. It was particularly active in advising banks in addressing "Y2K" concerns in the late nineties. The CLAPMAN Indictment alleges that CLAPMAN was the CBC loan officer in charge of the Culpeper account for CBC, and his compensation was based in part on this business relationship.

According to the Indictment, under a factoring agreement with CBC, Culpeper regularly sold at a discount its accounts receivable to CBC in return for immediate payment of between 80% to 90% of the receivable's value in cash. To establish the value of its accounts receivable, Culpeper was required to document its customer invoices to CBC. If Culpeper could not collect on an account, Culpeper was obligated to repay the amount borrowed against the relevant invoice.

According to the two-count Indictment, in July 2001 CLAPMAN conspired with Culpeper executives to make false statements in connection with at least \$1.4 million in past due invoices against which Culpeper had borrowed. Under the factoring agreement, Culpeper was therefore obligated to repay the funds that CBC had advanced if the receivables could not be collected. Conspiring with others, CLAPMAN instructed Culpeper to "refresh" its invoices by submitting false documentation indicating that another \$1.4 million in accounts receivable had been generated, thereby enabling Culpeper to avoid repayment for the uncollected invoices and to maintain its ability to obtain credit from CBC.

According to the Indictment, the conspiracy distinguished the phony invoices from real ones by coding them as the "9 Series." By submitting the false "9 Series" invoices to CBC, Culpeper was able to conceal that substantial numbers of its accounts receivable were not collectible. Documentation for the

false invoices was later recovered during a search warrant executed at Culpeper's Wall Street offices by FBI agents in November 2002. Culpeper's former Chief Executive Officer, HARRY MINGLE, pled guilty to similar charges on March 21, 2005.

Mr. GARCIA praised the investigative efforts of the FBI. Mr. GARCIA stated: "This Indictment demonstrates again that we will pursue corporate fraud to the executive suites, and we will prosecute it using all of our investigative resources. The Culpeper loan fraud injured the many employees of Culpeper and CBC, and ultimately the taxpayers who must absorb the losses that the bank suffered before the FDIC assumed control. Today's Indictment is a major step in redressing this wrong."

CLAPMAN, a Nassau County, New York, resident, faces a maximum possible term of imprisonment of 35 years upon conviction. The case is assigned to United States District Judge WILLIAM H. PAULEY III.

Assistant United States Attorney HARRY A. CHERNOFF is in charge of the prosecution.

The charges in the Indictment are merely accusations, and the defendant is presumed innocent unless and until proven guilty.

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